

**Kentucky Infrastructure Authority
Projects for July 2021
Capital Projects and Bond Oversight Committee**

▪ **Fund A Loan**

Loan #	Borrower	Amount Requested	Amount Loan Total	County
A17-028	Louisville & Jefferson County MSD (Increase)	\$ 1,100,000	\$ 7,400,000	Oldham
A20-018	City of Calvert City (Director Level Increase)	\$ 276,933	\$ 3,185,433	Marshall
A20-023	City of Bedford (Increase)	\$ 196,795	\$ 1,106,295	Trimble
A20-040	Louisville & Jefferson County MSD	\$ 2,944,345	\$ 2,944,345	Oldham

▪ **Fund B Loan**

Loan #	Borrower	Amount Requested	Amount Loan Total	County
B21-004	City of Midway	\$ 200,000	\$ 200,000	Woodford

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	July 1, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A17-028 (Increase)	
REVOLVING LOAN FUND		WRIS #	SX21185053	
BORROWER	LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT JEFFERSON COUNTY			
BRIEF DESCRIPTION				
The Louisville and Jefferson County Metropolitan Sewer District (MSD) is requesting a Fund A loan increase in the amount of \$1,100,000, to the loan originally approved February 2nd, 2017 to the Oldham County Environmental Authority (OCEA) in the amount of \$6,300,000 for a new KIA total loan amount of \$7,400,000. The increase is to fund additional work including eliminating a pump station and increasing the pipe diameter to facilitate future regionalization opportunities. MSD acquired OCEA effective July 1st, 2020 and assumed all of OCEA's outstanding debt with KIA. The original loan terms remain the same.				
LOAN ASSUMPTIONS		PROJECT BUDGET		
Fund A Loan	\$7,400,000	RD Fee %	Actual %	
Local Funding	375,000	Administrative Expenses		\$40,000
		Land, Easements		\$80,000
		Planning		\$27,940
		Eng - Design / Const	6.5%	5.0%
		Eng - Insp	3.2%	2.6%
		Eng - Other		\$50,000
		Construction		\$6,500,000
		Contingency		\$540,000
TOTAL	<u>\$7,775,000</u>	TOTAL		<u>\$7,775,000</u>
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$454,919
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Strand Associates		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Oct-21		
	Construction Start	Jan-22		
	Construction Stop	Dec-22		
DEBT PER CUSTOMER	Existing	\$10,259		
	Proposed	\$9,810		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current (MSD)	Users	Avg. Bill	
		243,512	\$51.45 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW (in thousands)	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	201,878	124,787	77,091	1.6
Audited 2019	209,361	128,227	81,134	1.6
Audited 2020	224,355	131,383	92,972	1.7
Projected 2021	234,597	141,047	93,550	1.7
Projected 2022	249,555	146,238	103,317	1.7
Projected 2023	265,769	151,416	114,353	1.8
Projected 2024	283,334	158,294	125,040	1.8
Projected 2025	302,353	159,031	143,322	1.9

Reviewer: Alex Fisher
Date: July 1, 2021
Loan Number: A17-028 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
LOUISVILLE AND JEFFERSON COUNTY MSD, OLDHAM COUNTY
PROJECT REVIEW
SX21185053**

I. PROJECT DESCRIPTION

The Louisville and Jefferson County Metropolitan Sewer District (MSD) is requesting a Fund A loan increase in the amount of \$1,100,000, to the loan originally approved February 2nd, 2017 to the Oldham County Environmental Authority (OCEA) in the amount of \$6,300,000 for a new KIA total loan amount of \$7,400,000. The increase is to fund additional work including eliminating a pump station and increasing the pipe diameter to facilitate future regionalization opportunities. MSD acquired OCEA effective July 1st, 2020 and assumed all of OCEA's outstanding debt with KIA. The original loan terms remain the same.

The project's additional costs are associated with eliminating the Fox Run Pump Station and increase pipe diameter to facilitate future regionalization and pump station elimination opportunities. Upper Floyds Fork Interceptor will have connection upgrades that include a stream crossing of Floyds Fork, will reduce excess pumping and advance regionalization initiatives. Overall the sewer is now primarily gravity reliant which has increased construction costs due to larger pipe, deeper sewers and increased rock removal.

Currently the Louisville and Jefferson County MSD system serves 221,796 residential and over 21,700 commercial and industrial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 40,000
Land, Easements	80,000
Planning	27,940
Engineering Fees - Design	283,940
Engineering Fees - Construction	70,980
Engineering Fees - Inspection	182,140
Engineering Fees - Other	50,000
Construction	6,500,000
Contingency	540,000
Total	\$ 7,775,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 7,400,000	95%
Local Funding	375,000	5%
Total	\$ 7,775,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 7,400,000
Less: Principal Forgiveness	\$ -
Amortized Loan Amount	\$ 7,400,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 440,119
Administrative Fee (0.25%)	\$ 14,800
Total Estimated Annual Debt Service	\$ 454,919

V. PROJECT SCHEDULE

Bid Opening	October 2021
Construction Start	January 2021
Construction Stop	December 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	221,796
Commercial	21,331
Industrial	385
Total	243,512

B) Rates

MSD Rates	Current	Prior	Prior
Date of Last Rate Increase	08/01/20	08/01/19	8/1/2018
Minimum	\$17.68	\$16.84	\$15.75
Per 1,000 Gallons	4.83	4.60	4.30
Consent Decree Surcharge	14.45	13.76	12.87
Cost for 4,000 gallons	\$51.45	\$49.00	\$45.82
Increase %	5.0%	6.9%	
Affordability Index (Rate/MHI)	0.6%	0.6%	

OCEA Rates	Current	Prior
Date of Last Rate Increase	07/16/18	08/14/17
Monthly Meter Charge	\$47.92	\$46.83
Minimum (per 1,000 gallons)	7.80	7.36
Cost for 4,000 gallons	\$79.12	\$76.27
Increase %	3.7%	
Affordability Index (Rate/MHI)	0.96%	

VII. DEMOGRAPHICS

Based on Census data from the American Community Survey 5-Year Estimate 2014-2018 (census data for OCEA used to originally set the interest rate), the Utility's Oldham County population was 60,940 with service area population of 24,679 and a Median Household Income (MHI) of \$60,002. The median household income for the Commonwealth was \$48,392. The project will continue to qualify for a 1.75% interest rate.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the

operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 14.3% from \$279 million in 2018 to \$319 million in 2020. The \$319 million includes \$6.9 million in wastewater revenues that are related to the OCEA acquisition. MSD's board can approve rate increases up to 7% without needed approval from Louisville Metro Council which they have done in 2018 and 2019 audited years and 5% in 2020 driving the annual increases in revenue. Wastewater service charges totaled \$237.8 million in 2020 while storm water service charges totaled \$75 million. Operating expenses increased 17.6% during the same time period from \$93.8 million to \$110.3 million. Expense increases were attributed mostly to increased operations and maintenance expenses in connection with the OCEA as well as various weather events (flooding) that occurred during the audited period observed. The debt coverage ratio for 2018-2020 was 1.62, 1.63, and 1.71 respectively (includes only net operating income).

The 1993 Sewer and Drainage System Revenue Bond Resolution requires MSD to provide available revenues sufficient to pay 110% of each year's aggregate net debt service on revenue bonds and 100% of operating expenses. Each year MSD's audit contains a Comparative Schedule of Debt Service Coverage which includes net operating income as well as other sources of revenue including investment income and current period payments of property owner assessments. When factoring in those additional revenue streams, MSD's debt coverage ratio from 2018-2020 was 1.6, 1.6, and 1.7 respectively. Moody's Investors Service affirmed an Aa3 rating for MSD on September 14, 2020 for outstanding senior revenue bonds with a stable outlook. S&P Rating Service affirmed an AA long term rating and stable outlook on September 11, 2020.

The 2020 balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 3.6, 31.1 days sales in accounts receivable, and 10.9 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 6.9% each forecasted year due to rate increases anticipated from MSD's Board.
- 2) Expenses will increase 4% for inflation and expected increases in general operational expenses for pending projects.
- 3) The forecast includes debt service for three approved KIA loans for MSD including A19-015, A19-028 and A21-022 (total of \$34,140,000).
- 4) Debt service coverage is 1.7 and above during the projected FY 2021-2025.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

MSD maintains Debt Reserve Accounts equal to the maximum annual debt service requirements on its senior lien obligations (currently \$151.1 million). No additional replacement reserves will be required for this loan.

X. DEBT OBLIGATIONS

Amounts in thousands

	<u>Outstanding</u>	<u>Maturity</u>
<u>Senior Debt</u>		
2009C Series Revenue Bonds	180,000	2040
2010A Series Revenue Bonds	330,000	2043
2011A Series Revenue Bonds	246,225	2034
2013A Series Revenue Bonds	115,790	2036
2013B Series Revenue Bonds	112,575	2038
2013C Series Revenue Bonds	99,250	2044
2014A Series Revenue Bonds	79,750	2045
2015A Series Revenue Bonds	173,160	2046
2015B Series Revenue Bonds	71,515	2038
2016A Series Revenue Bonds	149,290	2047
2016B Series Revenue Bonds	23,915	2036
2016C Series Revenue Bonds	50,515	2023
2017A Series Revenue Bonds	161,895	2048
2017B Series Revenue Bonds	32,885	2025
2018A Series Revenue Bonds	60,380	2038
2019A Series Revenue Bonds	24,770	2023
2020A Series Revenue Bonds (\$225,000)		2046
2020C Series Revenue Bonds (\$112,065)		TBD
<u>Senior Subordinate Debt</u>		
BAN Series 2019A	226,340	2021
Commercial Paper Notes, Series 2018 A	255,000	2023
Direct Purchase Notes, Series 2018 A	100	2021
2020 BAN (\$226,340)		2021
<u>Subordinate Debt</u>		
KIA Loan (A209-41 ARRA)	1,659	2033
KIA Loan (A19-015 i/a/o \$3,870)		TBD
KIA Loan (A19-028 i/a/o \$22,000)		TBD
KIA Loan (A98-04A, Crestwood)	454	2021
KIA Loan (A21-022 i/a/o \$8,270)		TBD
OCEA A10-04	1,974	2033

<i>Amounts in thousands</i>	<u>Outstanding</u>	<u>Maturity</u>
OCEA A10-05	715	2033
OCEA A10-06	81	2033
OCEA A10-07	1,821	2034
OCEA A11-15	465	2033
OCEA A12-29	5,520	2037
OCEA A17-028	2,013	TBD
OCEA A18-010	1,116	TBD
B10-01	500	2030
B10-04	500	2031
B15-006	87	2037
KY Rural Water Finance 2010D	285	2030
KY Rural Water Finance 2013E	545	2043
KY Rural Water Finance 2017A	755	2047
Bank Debt (Bullitt County)	111	2022
Total	\$2,411,956	

XI. CONTACTS

Legal Applicant	
Entity Name	Louisville & Jefferson County Metropolitan Sewer District
Authorized Official	Tony Parrott (Executive Director)
County	Jefferson
Email	tony.parrott@louisvillemtd.org
Phone	502-540-6533
Address	PO Box 740011 Louisville, KY 40201

Applicant Contact	
Name	Stephanie Laughlin
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	stephanie.laughlin@louisvillemtd.org
Phone	(502) 540-6955
Address	700 W Liberty St Louisville, KY 40203

Project Administrator

Name	William Marshall
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	William.marshall@louisvillemtd.org
Phone	(502) 540-6608
Address	700 W Liberty St Louisville, KY 40203

Consulting Engineer

PE Name	Paul Maron
Firm Name	Strand Associates
Email	Paul.maron@strand.com
Phone	(502) 583-7020 ext. 2424
Address	325 W. Main St. STE 710 Louisville, KY 40202

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
FINANCIAL SUMMARY (JUNE YEAR END)**

DOLLARS IN THOUSANDS

	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Audited</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>
Balance Sheet								
Assets								
Current Assets	139,927	169,448	154,200	169,448	177,567	191,002	205,606	222,238
Other Assets	3,164,908	3,278,999	3,491,878	3,465,393	3,470,131	3,473,940	3,477,023	3,496,560
Total	3,304,835	3,448,447	3,646,078	3,634,841	3,647,697	3,664,942	3,682,629	3,718,799
Liabilities & Equity								
Current Liabilities	125,320	113,705	130,032	140,968	144,228	149,680	148,949	152,472
Long Term Liabilities	2,470,841	2,564,190	2,719,316	2,663,188	2,626,596	2,574,790	2,514,572	2,452,030
Total Liabilities	2,596,161	2,677,895	2,849,348	2,804,156	2,770,823	2,724,470	2,663,520	2,604,502
Net Assets	708,674	770,552	796,730	830,685	876,874	940,472	1,019,109	1,114,297
Cash Flow								
Revenues	279,149	294,368	319,057	336,697	359,364	383,595	409,498	437,188
Operating Expenses	93,800	103,699	110,302	117,714	125,423	133,440	141,778	150,449
Other Income	16,529	18,692	15,600	15,614	15,614	15,614	15,614	15,614
Cash Flow Before Debt Service	201,878	209,361	224,355	234,597	249,555	265,769	283,334	302,353
Debt Service								
Existing Debt Service	124,787	128,227	131,383	141,047	146,238	150,961	157,839	158,576
Proposed KIA Loan A17-028 Increase	0	0	0	0	0	455	455	455
Total Debt Service	124,787	128,227	131,383	141,047	146,238	151,416	158,294	159,031
Cash Flow After Debt Service	77,091	81,134	92,972	93,550	103,317	114,353	125,040	143,322
Ratios								
Current Ratio	1.1	1.5	1.2	1.2	1.2	1.3	1.4	1.5
Debt to Equity	3.7	3.5	3.6	3.4	3.2	2.9	2.6	2.3
Days Sales in Accounts Receivable	34.4	34.6	31.1	30.3	30.3	30.3	30.2	30.2
Months Operating Expenses in Unrestricted Cash	6.4	5.1	10.9	4.5	5.2	5.9	6.6	7.4
Debt Coverage Ratio	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	July 7, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A20-018 (Increase)	
REVOLVING LOAN FUND		WRIS Number	SX21157039	
BORROWER	CITY OF CALVERT CITY MARSHALL COUNTY			
BRIEF DESCRIPTION				
The City of Calvert City ("City") is requesting a Fund A loan increase of \$276,933 to supplement the WWTP Influent Lift Station and Plant Improvements project initially approved on August 6th, 2020, which will bring the new total KIA loan amount up to \$3,185,433. The project scope was modified to include effluent lift station and force main improvements, yet since August 2020 the material and labor costs have increased significantly due to the pandemic and related material shortages.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$3,185,433	RD Fee %	Actual %	
		Administrative Expenses		\$30,000
		Legal Expenses		3,000
		Planning		13,000
		Eng - Design / Const	7.3%	6.7%
		Eng - Insp	4.1%	3.7%
		Eng - Other		41,150
		Construction		2,671,984
		Contingency		133,599
TOTAL	\$3,185,433	TOTAL		\$3,185,433
REPAYMENT	Rate	1.50%	Est. Annual Payment	\$191,318
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Rivercrest Engineering		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jun-21		
	Construction Start	Aug-21		
	Construction Stop	Apr-22		
DEBT PER CUSTOMER	Existing	\$1,326		
	Proposed	\$4,601		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		1,019	\$38.33	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	330,402	172,206	158,196	1.9
Audited 2019	471,789	176,927	294,862	2.7
Audited 2020	556,469	181,974	374,495	3.1
Projected 2021	609,089	185,452	423,637	3.3
Projected 2022	646,519	119,449	527,070	5.4
Projected 2023	609,738	309,698	300,040	2.0
Projected 2024	580,381	310,035	270,346	1.9
Projected 2025	550,437	310,903	239,534	1.8

Reviewer: Alex Fisher
Date: July 7, 2021
Loan Number: A20-018 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF CALVERT CITY, MARSHALL COUNTY
PROJECT REVIEW
SX21157039**

I. PROJECT DESCRIPTION

The City of Calvert City ("City") is requesting a Fund A loan increase of \$276,933 to supplement the WWTP Influent Lift Station and Plant Improvements project initially approved on August 6th, 2020, which will bring the new total KIA loan amount up to \$3,185,433. The project scope was modified to include effluent lift station and force main improvements, yet since August 2020 the material and labor costs have increased significantly due to the pandemic and related material shortages.

This project will rehabilitate the influent lift station and headworks for the wastewater treatment plant, improve the disinfection, aeration and mixing systems, upgrade the SCADA and control system, and replace the outfall diffuser in the Tennessee River.

The City is currently under an Agreed Order issued by the Kentucky Department for Environmental Protection to upgrade its wastewater collection and treatment facilities. The work associated with this project has been identified as necessary in the Corrective Action Plan to restore the ability to comply with the terms of the KPDES permit.

The City treats wastewater for approximately 1,000 retailer customers and supplies drinking water to 1,700 retail customers in the City and Marshall County.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 30,000
Legal Expenses	3,000
Planning	13,000
Engineering Fees - Design & Construction	146,200
Engineering Fees - Construction	41,500
Engineering Fees - Inspection	105,000
Engineering Fees - Other	41,150
Construction	2,671,984
Contingency	133,599
Total	\$ 3,185,433

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 3,185,433	100%
Total	\$ 3,185,433	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 3,185,433
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$ 3,185,433
Interest Rate	1.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 184,947
Administrative Fee (0.20%)	<u>6,371</u>
Total Estimated Annual Debt Service	\$ 191,318

V. PROJECT SCHEDULE

Bid Opening	June 11, 2021*
Construction Start	August 2021
Construction Stop	April 2022

(*) Note: The project will not be rebid.

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	882	0	882
Commercial	133	0	133
Industrial	4	0	4
Total	<u>1,019</u>	<u>0</u>	<u>1,019</u>

B) Rates

Sewer Inside City

	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	01/01/20	01/01/19
Minimum 2,000 Gallons	\$16.43	\$15.91	\$15.41
Over 2,000 Gallons	7.30	7.07	6.85
Cost for 4,000 gallons	\$38.33	\$37.12	\$35.96
Increase %	3.3%	3.2%	
Affordability Index (Rate/MHI)	0.8%	0.8%	0.8%

Sewer Outside City

	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	01/01/20	01/01/19
Minimum 2,000 Gallons	\$24.63	\$23.85	\$23.09
Over 2,000 Gallons	11.00	10.65	10.31
Cost for 4,000 gallons	\$57.63	\$55.80	\$54.02
Increase %	3.3%	3.3%	
Affordability Index (Rate/MHI)	1.3%	1.2%	1.2%

Water Inside City

	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	01/01/20	01/01/19
Minimum 2,000 Gallons	\$10.50	\$10.17	\$9.85
Next 5,000 Gallons	3.00	2.91	2.82
Cost for 4,000 gallons	\$19.50	\$18.90	\$18.31
Increase %	3.2%	3.2%	
Affordability Index (Rate/MHI)	0.4%	0.4%	0.4%

Water Outside City

	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	01/01/20	01/01/19
Minimum 2,000 Gallons	\$15.81	\$15.31	\$14.83
Next 5,000 Gallons	4.56	4.42	4.28
Cost for 4,000 gallons	\$29.49	\$28.57	\$27.67
Increase %	3.2%	3.3%	
Affordability Index (Rate/MHI)	0.7%	0.6%	0.6%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 2,424 with a Median Household Income (MHI) of \$54,234. The median household income for the Commonwealth is \$46,535. The City will continue at original terms for a 20-year term at 1.50% interest rate for being under an Agreed Order.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

1) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Consolidated water and sewer revenues increased 4.6% from \$1.84 million in 2018 to \$1.93 million in 2020 due to previously approved water and sewer rate increases. Operating expenses decreased 9.1% from \$1.52 million to \$1.38 million during the same period attributable to reduced employee wages and benefits and a large reduction in operating supplies. The debt coverage ratio was 1.9, 2.7, and 3.1 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 1.9, a debt to equity ratio of 0.3, 47.5 days of sales in accounts receivable, and 10.1 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase as the City will continue to apply the CPI adjustments to both water and sewer rates annually.
- 2) Operating expenses will increase 2% each year for inflation.
- 3) Debt service coverage is 2.0 in 2023 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$160,000 total) of the final amount borrowed to be funded annually (\$8,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KY League of Cities Lease	\$ 180,000	2022
KIA A209-07	294,905	2031
KIA B17-004	418,465	2037
KIA B19-001 i.a.o. \$542,900	458,260	2038
Total	\$ 1,351,630	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Calvert City
Authorized Official	Gene Colburn (Mayor)
County	Marshall
Email	gcolburn@calvertcity.com
Phone	(270) 395-4124
Address	PO Box 36 Calvert City, KY 42029

Applicant Contact	
Name	Glenda Adair
Organization	City of Calvert City
Email	gadair@calvertcity.com
Phone	(270) 395-7138
Address	PO Box 36 Calvert City, KY 42029

Project Administrator

Name	Silas Traylor
Organization	City of Calvert City
Email	straylor@calvertcity.com
Phone	(270) 395-7138
Address	PO Box 36 Calvert City, KY 42029

Consulting Engineer

PE Name	Charles McCann
Firm Name	Rivercrest Engineering
Email	cmccan@rivercresteng.com
Phone	(618) 521-5421
Address	7020 U.S. Highway 68 W. Paducah, KY 42003

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan increase with the standard conditions.

**CITY OF CALVERT CITY
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Audited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
Balance Sheet								
Assets								
Current Assets	1,437,748	1,488,446	1,448,035	1,599,543	1,713,157	1,773,165	1,827,234	1,875,141
Other Assets	12,763,336	13,049,949	13,644,446	13,931,971	16,900,146	16,509,265	16,094,628	15,644,542
Total	14,201,084	14,538,395	15,092,481	15,531,514	18,613,303	18,282,430	17,921,862	17,519,683
Liabilities & Equity								
Current Liabilities	243,305	346,518	746,847	717,037	819,359	824,296	827,988	832,105
Long Term Liabilities	2,225,937	2,551,106	2,632,739	2,842,340	5,777,712	5,520,496	5,265,571	5,006,280
Total Liabilities	2,469,242	2,897,624	3,379,586	3,559,377	6,597,070	6,344,791	6,093,559	5,838,384
Net Assets	11,731,842	11,640,771	11,712,895	11,972,137	12,016,233	11,937,638	11,828,303	11,681,298
Cash Flow								
Revenues	1,844,329	2,007,560	1,929,560	2,015,269	2,078,291	2,078,291	2,078,291	2,078,291
Operating Expenses	1,521,988	1,546,218	1,383,183	1,416,272	1,441,864	1,478,645	1,508,002	1,537,946
Other Income	8,061	10,447	10,092	10,092	10,092	10,092	10,092	10,092
Cash Flow Before Debt Service	330,402	471,789	556,469	609,089	646,519	609,738	580,381	550,437
Debt Service								
Existing Debt Service	172,206	176,927	181,974	185,452	119,449	118,380	118,717	119,585
Proposed KIA Loan	0	0	0	0	0	191,318	191,318	191,318
Total Debt Service	172,206	176,927	181,974	185,452	119,449	309,698	310,035	310,903
Cash Flow After Debt Service	158,196	294,862	374,495	423,637	527,070	300,040	270,346	239,534
Ratios								
Current Ratio	5.9	4.3	1.9	2.2	2.1	2.2	2.2	2.3
Debt to Equity	0.2	0.2	0.3	0.3	0.5	0.5	0.5	0.5
Days Sales in Accounts Receivable	59.0	49.3	47.5	47.5	47.5	47.5	47.5	47.5
Months Operating Expenses in Unrestricted Cash	8.5	8.5	10.1	10.6	11.3	11.6	11.8	11.9
Debt Coverage Ratio	1.9	2.7	3.1	3.3	5.4	2.0	1.9	1.8

EXECUTIVE SUMMARY		Reviewer	Alex Fisher			
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	July 1, 2021			
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A20-023 (Increase)			
REVOLVING LOAN FUND		WRIS Number	SX21223013			
BORROWER	CITY OF BEDFORD TRIMBLE COUNTY					
BRIEF DESCRIPTION						
The City of Bedford ("City") is requesting a Fund A loan increase of \$196,795, to the originally approved amount of \$909,500 to supplement the Bedford Wastewater System Improvements project initially approved on July 9th, 2020, which will bring the new total KIA loan amount up to \$1,106,295. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.						
PROJECT FINANCING		PROJECT BUDGET			RD Fee %	Actual %
Fund A Loan	\$1,106,295	Administrative Expenses				\$50,000
CDBG	909,500	Eng - Design / Const	7.4%	5.8%		150,000
Local Stimulus Funds	857,000	Eng - Insp	5.2%	2.9%		75,000
		Construction				2,497,795
		Contingency				100,000
TOTAL	<u>\$2,872,795</u>	TOTAL				<u>\$2,872,795</u>
REPAYMENT	Rate	0.50%	Est. Annual Payment			\$24,718
	Term	30 Years	1st Payment	6 Mo. after first draw		
PROFESSIONAL SERVICES	Engineer	Strand Associates, Inc				
	Bond Counsel	Rubin & Hays				
PROJECT SCHEDULE	Bid Opening	Apr-21				
	Construction Start	Sep-21				
	Construction Stop	Sep-22				
DEBT PER CUSTOMER	Existing	\$106				
	Proposed	\$2,036				
OTHER DEBT	See Attached					
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>			
		320	\$44.85	(for 4,000 gallons)		
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.					
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio		
Audited 2018	23,201	31,750	(8,549)	0.7		
Audited 2019	30,684	31,450	(766)	1.0		
Audited 2020	30,599	37,100	(6,501)	0.8		
Projected 2021	25,077	0	25,077	n/a		
Projected 2022	27,679	0	27,679	n/a		
Projected 2023	28,597	24,718	3,879	1.2		
Projected 2024	31,436	24,718	6,718	1.3		
Projected 2025	27,281	24,718	2,563	1.1		

Reviewer: Alex Fisher
Date: July 1, 2021
Loan Number: A20-023 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF BEDFORD, TRIMBLE COUNTY
PROJECT REVIEW
SX21223013**

I. PROJECT DESCRIPTION

The City of Bedford ("City") is requesting a Fund A loan increase of \$196,795, to the originally approved amount of \$909,500 to supplement the Bedford Wastewater System Improvements project initially approved on July 9th, 2020, which will bring the new total KIA loan amount up to \$1,106,295. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.

This project will replace the three wastewater pump stations that are original to the wastewater system since the 1980s, using the fourth station already in place in the system as the standard. Bedford has repaired, rehabilitated, and replaced the components in the three stations until the suppliers and other utilities could no longer provide parts due to being obsolete. Pump station #1 serves the Trimble County High School and Elementary School. If it fails, the schools would be forced to close until it became operational again. This pump station will also be relocated to avoid stream erosion. Pump station #2 will be relocated away from its current steep incline for easier access and service. Pump station #3 serves nearly the entire wastewater collection system of Bedford. It receives flow from the other stations and pumps to the treatment plant. All three pumps/motors have surpassed their life expectancy. One has failed completely, one leaks significantly and the failure of the third pump would leave the system without the ability to convey the wastewater to the treatment plant and cause significant sanitary sewer overflows.

The City serves 320 customers in Trimble County.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 50,000
Engineering Fees - Design	110,000
Engineering Fees - Construction	40,000
Engineering Fees - Inspection	75,000
Construction	2,497,795
Contingency	100,000
Total	<u>\$ 2,872,795</u>

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,106,295	39%
CDBG	909,500	32%
Local Stimulus Funds	857,000	30%
Total	\$ 2,872,795	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,106,295
Less: Principal Forgiveness	454,750
Amortized Loan Amount	\$ 651,545
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 23,415
Administrative Fee (0.20%)	1,303
Total Estimated Annual Debt Service	\$ 24,718

V. PROJECT SCHEDULE

Bid Opening	April 15, 2021*
Construction Start	September 2021
Construction Stop	September 2022

(*) Note: The bids are the same from the opening date.

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	274
Commercial	13
Industrial	33
Total	320

B) Rates

SEWER	Current	Prior	Proposed rate changes		
			FY2022	FY2023	FY2024
Date of Last Rate Increase	05/17/16	05/19/15	07/01/21	07/01/22	07/01/23
Cost for 4,000 gallons	\$44.85	\$42.70	\$46.20	\$47.58	\$49.01
Increase %	5.0%				
Affordability Index (Rate/MHI)	1.7%				

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 957 with a Median Household Income (MHI) of \$31,399. The median household income for the Commonwealth is \$46,535. The project will continue at a 0.5% interest rate with a 30-year loan.

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$454,750 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2018-2020 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2020 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Sewer revenues decreased 5.0% from \$233 thousand in 2018 to \$221 thousand in 2020, and operating expenses decreased 8.6% from \$209 thousand to \$192 thousand during the same period primarily due to a reduction in repairs, maintenance and salary expenses. The debt coverage ratio was 0.7, 1.0, and 0.8 in 2018, 2019, and 2020 respectively.

The 2020 balance sheet reflects a current ratio of 0.7, a debt to equity ratio of 0.6, 38.5 days sales in accounts receivable, and 4.0 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will need to increase 3% for each fiscal year 2022, 2023 and 2024 to meet the 1.1 debt coverage ratio.
- 2) The City of Bedford has confirmed \$250,000 in county stimulus funds, \$107,000 in city ARPA funding and \$500,000 in Trimble County Fiscal Court ARPA funding for this project. The \$857,000 in total committed funds are envisioned to reduce the need for a larger loan increase request.
- 3) Expenses will increase at a 2% due to inflation.
- 4) Debt service coverage is 1.2 in 2023 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$54,000 total) of the final amount borrowed prior to principal forgiveness to be funded annually (\$1,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Revenue Bonds issued 1981	\$ 34,000	2022
Total	\$ 34,000	

XI. CONTACTS

Legal Applicant

Entity Name	City of Bedford
Authorized Official	Joe Robinson (Mayor)
County	Trimble
Email	mayor.robinson1968@gmail.com
Phone	502-255-3684
Address	147 Victory Ave PO Box 1 Bedford, KY 40006

Applicant Contact

Name	Joe Robinson
Organization	City of Bedford
Email	mayor.robinson1968@gmail.com
Phone	502-255-3684
Address	147 Victory Ave Bedford, KY 40006

Project Administrator

Name	Danielle Story
Organization	KIPDA
Email	danielle.story@kipda.org
Phone	502-266-6084
Address	11520 Commonwealth Dr. Louisville, KY 40299

Consulting Engineer

PE Name	Paul Maron
Firm Name	Strand Associates, Inc.
Email	paul.maron@strand.com
Phone	502-583-7020
Address	325 W Main St, Ste. 710 Louisville, KY 40202

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special condition:

- The City of Bedford will pass an ordinance to increase the sewer rate by 3% for each fiscal year 2022, 2023 and 2024 to be effective each July 1st.

**CITY OF BEDFORD
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Audited</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>
Balance Sheet								
Assets								
Current Assets	49,325	65,822	86,973	111,889	140,268	144,847	152,265	154,828
Other Assets	905,349	818,048	776,473	859,670	719,963	3,453,051	3,313,344	3,173,637
Total	<u>954,674</u>	<u>883,870</u>	<u>863,446</u>	<u>971,559</u>	<u>860,231</u>	<u>3,597,898</u>	<u>3,465,609</u>	<u>3,328,465</u>
Liabilities & Equity								
Current Liabilities	41,260	41,569	117,057	37,219	37,267	59,086	59,186	59,286
Long Term Liabilities	238,680	233,147	196,650	193,931	193,357	822,623	801,027	779,414
Total Liabilities	<u>279,940</u>	<u>274,716</u>	<u>313,707</u>	<u>231,150</u>	<u>230,625</u>	<u>881,708</u>	<u>860,213</u>	<u>838,700</u>
Net Assets	<u>674,734</u>	<u>609,154</u>	<u>549,739</u>	<u>740,409</u>	<u>629,606</u>	<u>2,716,190</u>	<u>2,605,396</u>	<u>2,489,765</u>
Cash Flow								
Revenues	233,116	231,008	221,381	219,698	226,215	232,927	239,840	239,840
Operating Expenses	209,946	201,927	191,932	195,771	199,686	205,480	209,554	213,709
Other Income	31	1,603	1,150	1,150	1,150	1,150	1,150	1,150
Cash Flow Before Debt Service	<u>23,201</u>	<u>30,684</u>	<u>30,599</u>	<u>25,077</u>	<u>27,679</u>	<u>28,597</u>	<u>31,436</u>	<u>27,281</u>
Debt Service								
Existing Debt Service	31,750	31,450	37,100	0	0	0	0	0
Proposed KIA Loan	0	0	0	0	0	24,718	24,718	24,718
Total Debt Service	<u>31,750</u>	<u>31,450</u>	<u>37,100</u>	<u>0</u>	<u>0</u>	<u>24,718</u>	<u>24,718</u>	<u>24,718</u>
Cash Flow After Debt Service	<u>(8,549)</u>	<u>(766)</u>	<u>(6,501)</u>	<u>25,077</u>	<u>27,679</u>	<u>3,879</u>	<u>6,718</u>	<u>2,563</u>
Ratios								
Current Ratio	1.2	1.6	0.7	3.0	3.8	2.5	2.6	2.6
Debt to Equity	0.4	0.5	0.6	0.3	0.4	0.3	0.3	0.3
Days Sales in Accounts Receivable	28.3	33.8	38.5	38.5	38.6	38.5	38.5	38.5
Months Operating Expenses in Unrestricted Cash	1.8	2.6	4.0	5.4	7.0	7.1	7.3	7.3
Debt Coverage Ratio	0.7	1.0	0.8	N/A	N/A	1.2	1.3	1.1

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	July 1, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A20-040	
REVOLVING LOAN FUND		WRIS #	SX21185051	
BORROWER	LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT JEFFERSON COUNTY			
BRIEF DESCRIPTION				
The Oldham County Environmental Authority (OCEA) was assumed by Louisville and Jefferson County MSD after this project was submitted. Collectively they are requesting a Fund A loan in the amount of \$2,944,345 for the OCEA Lift Station Rehab, Renovation and Replacement project. This project will rehab or replace 3 lift stations at Club Drive, Cliffwood Drive and Cardinal Harbor. MSD acquired the Oldham County Environmental Authority (OCEA) effective July 1st, 2020 and assumed all of OCEA's outstanding debt with KIA. The original loan invitation was made to OCEA.				
LOAN ASSUMPTIONS		PROJECT BUDGET		
Fund A Loan	\$2,944,345	RD Fee %	Actual %	
		Administrative Expenses		\$10,000
		Planning		\$10,000
		Eng - Design / Const	7.4%	6.8%
		Eng - Insp	4.2%	3.9%
		Construction		\$2,403,475
		Contingency		\$238,300
TOTAL	\$2,944,345	TOTAL		\$2,944,345
REPAYMENT	Rate	1.00%	Est. Annual Payment	\$168,685
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Strand Associates		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-21		
	Construction Start	Jan-22		
	Construction Stop	Sep-22		
DEBT PER CUSTOMER	Existing	\$10,259		
	Proposed	\$9,810		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current (MSD)	<u>Users</u>	<u>Avg. Bill</u>	
		243,512	\$51.45	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW (in thousands)	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	201,878	124,787	77,091	1.6
Audited 2019	209,361	128,227	81,134	1.6
Audited 2020	224,355	131,383	92,972	1.7
Projected 2021	234,597	141,047	93,550	1.7
Projected 2022	249,555	146,238	103,317	1.7
Projected 2023	265,769	151,416	114,353	1.8
Projected 2024	283,334	158,294	125,040	1.8
Projected 2025	302,353	159,031	143,322	1.9

Reviewer: Alex Fisher
Date: July 1, 2021
Loan Number: A20-040

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
LOUISVILLE AND JEFFERSON COUNTY
METROPOLITAN SEWER DISTRICT (MSD), OLDHAM COUNTY
PROJECT REVIEW
SX21185051**

I. PROJECT DESCRIPTION

The Louisville and Jefferson County Metropolitan Sewer District (MSD) is requesting a Fund A loan in the amount of \$2,944,345 for the OCEA Lift Station Rehab, Renovation and Replacement project. This project will rehab or replace 3 lift stations at Club Drive, Cliffwood Drive and Cardinal Harbor. MSD acquired the Oldham County Environmental Authority (OCEA) effective July 1st, 2020 and assumed all of OCEA's outstanding debt with KIA. The original loan invitation was made to OCEA.

The project will replace Cardinal Harbor lift station. The Cliffwood Drive lift station is being replaced and relocated. The Club Drive lift station is being eliminated. The new lift stations will eliminate sewer overflows and basement backups due to lift station failures.

Currently the Louisville and Jefferson County MSD system serves 221,796 residential and over 21,700 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Planning	10,000
Engineering Fees - Design	142,730
Engineering Fees - Construction	35,680
Engineering Fees - Inspection	104,160
Construction	2,403,475
Contingency	238,300
Total	\$ 2,944,345

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 2,944,345	100%
Total	\$ 2,944,345	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,944,345
Less: Principal Forgiveness	\$ -
Amortized Loan Amount	\$ 2,944,345
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 162,796
Administrative Fee (0.25%)	\$ 5,889
Total Estimated Annual Debt Service	\$ 168,685

V. PROJECT SCHEDULE

Bid Opening	November 2021
Construction Start	January 2022
Construction Stop	September 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	221,796
Commercial	21,331
Industrial	385
Total	243,512

B) Rates

MSD Rates	Current	Prior	Prior
Date of Last Rate Increase	08/01/20	08/01/19	8/1/2018
Minimum	\$17.68	\$16.84	\$15.75
Per 1,000 Gallons	4.83	4.60	4.30
Consent Decree Surcharge	14.45	13.76	12.87
Cost for 4,000 gallons	\$51.45	\$49.00	\$45.82
Increase %	5.0%	6.9%	
Affordability Index (Rate/MHI)	1.1%	1.1%	

OCEA Rates	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/16/18	08/14/17
Monthly Meter Charge	\$47.92	\$46.83
Minimum (per 1,000 gallons)	7.80	7.36
Cost for 4,000 gallons	\$79.12	\$76.27
Increase %	3.7%	
Affordability Index (Rate/MHI)	1.76%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's Oldham county population was 60,940 with a service area population of 19,684 with a Median Household Income (MHI) of \$56,372. The median household income for the Commonwealth is \$44,811. The project will qualify for a 1.00% interest rate since the project contributes to regionalization of the system.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020 from the combined wastewater and storm water funds. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 14.3% from \$279 million in 2018 to \$319 million in 2020. The \$319 million includes \$6.9 million in wastewater revenues that are related to the OCEA acquisition. MSD's board can approve rate increases up to 7% without needed approval from Louisville Metro Council which they have done in 2018 and 2019 audited years and 5% in 2020 driving the annual increases in revenue. Wastewater service charges totaled \$237.8 million in 2020 while storm water service charges totaled \$75 million.

Operating expenses increased 17.6% during the same time period from \$93.8 million to \$110.3 million. Expense increases were attributed mostly to increased operations and maintenance expenses in connection with the OCEA as well as various weather events (flooding) that occurred during the audited period observed. The debt coverage ratio for 2018-2020 was 1.62, 1.63, and 1.71 respectively (includes only net operating income).

The 1993 Sewer and Drainage System Revenue Bond Resolution requires MSD to provide available revenues sufficient to pay 110% of each year's aggregate net debt service on revenue bonds and 100% of operating expenses. Each year MSD's audit contains a Comparative Schedule of Debt Service Coverage which includes net operating income as well as other sources of revenue including investment income and current period payments of property owner assessments. When factoring in those additional revenue streams, MSD's debt coverage ratio from 2018-2020 was 1.6, 1.6, and 1.7 respectively. Moody's Investors Service affirmed an Aa3 rating for MSD on September 14, 2020 for outstanding senior revenue bonds with a stable outlook. S&P Rating Service affirmed an AA long term rating and stable outlook on September 11, 2020.

The 2020 balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 3.6, 31.1 days sales in accounts receivable, and 10.9 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 6.9% each forecasted year due to rate increases anticipated from MSD's Board.
- 2) Expenses will increase 4% for inflation and expected increases in general operational expenses for pending projects.
- 3) The forecast includes debt service for three approved KIA loans for MSD including A19-015, A19-028 and A21-022 (total of \$34,140,000).
- 4) Debt service coverage is 1.7 and above during the projected FY 2021-2025.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

REPLACEMENT RESERVE

MSD maintains Debt Reserve Accounts equal to the maximum annual debt service requirements on its senior lien obligations (currently \$151.1 million). No additional replacement reserves will be required for this loan.

X.DEBT OBLIGATIONS

Amounts in thousands

	<u>Outstanding</u>	<u>Maturity</u>
<u>Senior Debt</u>		
2009C Series Revenue Bonds	180,000	2040
2010A Series Revenue Bonds	330,000	2043
2011A Series Revenue Bonds	246,225	2034
2013A Series Revenue Bonds	115,790	2036
2013B Series Revenue Bonds	112,575	2038
2013C Series Revenue Bonds	99,250	2044
2014A Series Revenue Bonds	79,750	2045
2015A Series Revenue Bonds	173,160	2046
2015B Series Revenue Bonds	71,515	2038
2016A Series Revenue Bonds	149,290	2047
2016B Series Revenue Bonds	23,915	2036
2016C Series Revenue Bonds	50,515	2023
2017A Series Revenue Bonds	161,895	2048
2017B Series Revenue Bonds	32,885	2025
2018A Series Revenue Bonds	60,380	2038
2019A Series Revenue Bonds	24,770	2023
2020A Series Revenue Bonds (\$225,000)		TBD
2020C Series Revenue Bonds (\$112,065)		TBD
<u>Senior Subordinate Debt</u>		
BAN Series 2019A	226,340	TBD
Commercial Paper Notes (2018A 1 & 2)	255,000	
Direct Purchase Note - Bank Note	100	2021
2020 BAN (\$226,340)		2021
<u>Subordinate Debt</u>		
KIA Loan (A209-41 ARRA)	1,659	2033
KIA Loan (A19-015 i/a/o \$3,870)		TBD
KIA Loan (A19-028 i/a/o \$22,000)		TBD
KIA Loan (A98-04A, Crestwood)	454	2021
KIA Loan (A21-022 i/a/o \$8,270)		TBD
OCEA A10-04	1,974	2033
OCEA A10-05	715	2033
OCEA A10-06	81	2033
OCEA A10-07	1,821	2034
OCEA A11-15	465	2033
OCEA A12-29	5,520	2037
OCEA A17-028	2,013	TBD
OCEA A18-010	1,116	TBD
B10-01	500	2030
B10-04	500	2031

Amounts in thousands

	<u>Outstanding</u>	<u>Maturity</u>
B15-006	87	2037
KY Rural Water Finance 2010D	285	2030
KY Rural Water Finance 2013E	545	2043
KY Rural Water Finance 2017A	755	2047
Bank Debt (Bullitt County)	111	2022
Total	\$ 2,411,956	

XI.CONTACTS

Legal Applicant

Entity Name	Louisville & Jefferson County Metropolitan Sewer District
Authorized Official	Tony Parrott (Executive Director)
County	Jefferson
Email	tony.parrott@louisvillemsd.org
Phone	502-540-6533
Address	PO Box 740011 Louisville, KY 40201

Applicant Contact

Name	Stephanie Laughlin
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	stephanie.laughlin@louisvillemsd.org
Phone	(502) 540-6955
Address	700 W Liberty St Louisville, KY 40203

Project Administrator

Name	William Marshall
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	William.marshall@louisvillemsd.org
Phone	(502) 540-6608
Address	700 W Liberty St Louisville, KY 40203

Consulting Engineer

PE Name	Paul Maron
Firm Name	Strand Associates
Email	Paul.maron@strand.com
Phone	(502) 583-7020 ext.2424
Address	325 W. Main St. STE 710 Louisville, KY 40202

XII.RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
 FINANCIAL SUMMARY (JUNE YEAR END)

DOLLARS IN THOUSANDS

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	139,927	169,448	154,200	169,448	177,567	191,002	205,606	222,238
Other Assets	3,164,908	3,278,999	3,491,878	3,465,393	3,470,131	3,473,940	3,477,023	3,496,560
Total	3,304,835	3,448,447	3,646,078	3,634,841	3,647,697	3,664,942	3,682,629	3,718,799
Liabilities & Equity								
Current Liabilities	125,320	113,705	130,032	140,968	144,228	149,680	148,949	152,472
Long Term Liabilities	2,470,841	2,564,190	2,719,316	2,663,188	2,626,596	2,574,790	2,514,572	2,452,030
Total Liabilities	2,596,161	2,677,895	2,849,348	2,804,156	2,770,823	2,724,470	2,663,520	2,604,502
Net Assets	708,674	770,552	796,730	830,685	876,874	940,472	1,019,109	1,114,297
Cash Flow								
Revenues	279,149	294,368	319,057	336,697	359,364	383,595	409,498	437,188
Operating Expenses	93,800	103,699	110,302	117,714	125,423	133,440	141,778	150,449
Other Income	16,529	18,692	15,600	15,614	15,614	15,614	15,614	15,614
Cash Flow Before Debt Service	201,878	209,361	224,355	234,597	249,555	265,769	283,334	302,353
Debt Service								
Existing Debt Service	124,787	128,227	131,383	141,047	146,238	151,247	158,125	158,862
Proposed KIA Loan A20-040	0	0	0	0	0	169	169	169
Total Debt Service	124,787	128,227	131,383	141,047	146,238	151,416	158,294	159,031
Cash Flow After Debt Service	77,091	81,134	92,972	93,550	103,317	114,353	125,040	143,322
Ratios								
Current Ratio	1.1	1.5	1.2	1.2	1.2	1.3	1.4	1.5
Debt to Equity	3.7	3.5	3.6	3.4	3.2	2.9	2.6	2.3
Days Sales in Accounts Receivable	34.4	34.6	31.1	30.3	30.3	30.3	30.2	30.2
Months Operating Expenses in Unrestricted Cash	6.4	5.1	10.9	4.5	5.2	5.9	6.6	7.4
Debt Coverage Ratio	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	July 1, 2021	
FUND B, INFRASTRUCTURE		KIA Loan Number	B21-004	
REVOLVING LOAN FUND		WRIS Number	SX21239015	
BORROWER	CITY OF MIDWAY WOODFORD COUNTY			
BRIEF DESCRIPTION				
The City of Midway ("City") is requesting a Fund B loan in the amount of \$200,000 for the Gayland Dr. Rehabilitation.				
This project will rehabilitate aging storm water conveyance pipes and structures, sanitary pipes and structures, and rehabilitate affected roadway on Gayland Dr. and Merrywood Dr.				
Currently the City of Midway serves 730 residential and commercial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$200,000	RD Fee %	Actual %	
Local Funds	150,000	Administrative Expenses		\$10,000
		Legal Expenses		2,500
		Planning		5,000
		Eng - Design / Const	11.4%	11.6%
		Eng - Insp	9.1%	7.1%
		Construction		250,000
		Contingency		30,000
TOTAL	\$350,000	TOTAL		\$350,000
REPAYMENT	Rate	2.00%	Est. Annual Payment \$12,582	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	HMB Professional Engineers, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Aug-21		
	Construction Start	Sep-21		
	Construction Stop	Nov-21		
DEBT PER CUSTOMER	Existing	\$0		
	Proposed	\$274		
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		730	\$27.36 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	93,374	144,640	(51,266)	0.6
Audited 2019	31,388	197,295	(165,907)	0.2
Audited 2020	(18,422)	0	(18,422)	n/a
Projected 2021	(23,271)	0	(23,271)	n/a
Projected 2022	13,864	12,582	1,282	1.1
Projected 2023	13,864	12,582	1,282	1.1
Projected 2024	13,864	12,582	1,282	1.1
Projected 2025	13,864	12,582	1,282	1.1

Reviewer: Alex Fisher
 Date: July 1, 2021
 Loan Number: B21-004

**KENTUCKY INFRASTRUCTURE AUTHORITY
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
 CITY OF MIDWAY, WOODFORD COUNTY
 PROJECT REVIEW
 SX21239015**

I. PROJECT DESCRIPTION

The City of Midway (“City”) is requesting a Fund B loan in the amount of \$200,000 for the Gayland Dr. Rehabilitation project.

This project will replace 1,949 linear feet of aging storm water conveyance pipes and structures, sanitary pipes and structures, and rehabilitate affected roadways on Gayland Dr. and Merrywood Dr.

Currently the City of Midway serves 730 residential and commercial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	2,500
Planning	5,000
Engineering Fees - Design	25,000
Engineering Fees - Construction	7,500
Engineering Fees - Inspection	20,000
Construction	250,000
Contingency	<u>30,000</u>
Total	\$ 350,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 200,000	57%
Local Funds	<u>150,000</u>	<u>43%</u>
Total	\$ 350,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 200,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 200,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 12,182
Administrative Fee (0.20%)	400
Total Estimated Annual Debt Service	\$ 12,582

V. PROJECT SCHEDULE

Bid Opening	August 2021
Construction Start	September 2021
Construction Stop	November 2021

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	681
Commercial	49
Industrial	0
Total	730

B. Rates

Sewer	Current	Prior
Date of Last Rate Increase	12/17/18	06/24/02
Minimum (1,000 gallons)	\$10.95	\$14.60
All over 1,000 gallons	5.47	7.30
Cost for 4,000 gallons	\$27.36	\$36.50
Increase %	-25.0%	
Affordability Index (Rate/MHI)	0.5%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 1,722 with a Median Household Income (MHI) of \$60,573. The median household income for the Commonwealth is \$48,392. The project will qualify for a standard 2.00% interest rate for 20 years.

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues decreased 23.1% from \$291,201 in 2018 to \$224,006 in 2020 due to a 25% decrease in sewer rates as reflected in the rate chart above. The rate decrease was implemented as a result of the retirement of all sewer system debt. Operating expenses increased 22.5% from \$197,911 to \$242,452 during the same period primarily due to increases in contractual services, materials, insurance and supply costs. The debt coverage ratio was 0.6, 0.2 in 2018 and 2019. The city had no debt associated with the sewer system in 2020.

The balance sheet reflects a current ratio of 23.4, a debt to equity ratio of 0.0, 40.5 days of sales in accounts receivable, and 4.8 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer rates will remain constant.
- 2) The City of Midway pledges \$60,000 per year in General Fund revenues to the Sewer Fund beginning FY2022 for the repayment of debt service for the life of this loan.
- 3) Expenses will rise 2% due to inflation.
- 4) Debt service coverage is 1.1 in 2022 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$10,000 total) of the final amount borrowed to be funded annually (\$500 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

None.

X. CONTACTS

Legal Applicant	
Entity Name	City of Midway
Authorized Official	Grayson Vandegrift (Mayor)
County	Woodford
Email	mayorgrayson@meetmeinmidway.com
Phone	(859) 361-6320
Address	PO Box 4275 Midway, KY 40347

Applicant Contact	
Name	Sonya Conner
Organization	City of Midway
Email	sonya@meetmeinmidway.com
Phone	(859) 846-4413
Address	PO Box 4275 Midway, KY 40347

Project Administrator	
Name	David Brown
Organization	HMB Professional Engineers, Inc.
Email	dbrown@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Cir. Frankfort, KY 40601

Consulting Engineer	
PE Name	David Brown
Firm Name	HMB Professional Engineers, Inc.
Email	dbrown@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Cir. Frankfort, KY 40601

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special condition:

- The City of Midway shall pledge \$60,000 per year in General Fund revenue to the Sewer Fund beginning FY2022 for the repayment of debt service for the life of this loan.
- The Assistance Agreement shall be modified to reflect a lien on both system revenues and \$60,000 of pledged General Fund revenue of the city of Midway.



CITY OF MIDWAY

P.O. Box 4275
Midway, Kentucky 40347-4275

Grayson Vandegrift, Mayor

6/14/2021

RE: Gayland Drive Rehabilitation
Midway Secondary Source of Income
B21-004, SX21239015

To Whom it May Concern,

The City of Midway pledges \$60,000/year in general fund revenue to the sewer fund beginning FY2022 for the life of this loan. This commitment is pending an assistance agreement for said project. The City has the capacity to pledge this secondary source of income for the loan.

Signed,

Grayson Vandegrift, Mayor

**CITY OF MIDWAY
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Audited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
Balance Sheet								
Assets								
Current Assets	33,045	52,941	121,894	98,643	99,925	101,207	102,490	103,772
Other Assets	3,837,799	3,712,291	3,458,227	3,297,451	3,487,175	3,317,649	3,148,123	2,978,597
Total	3,870,844	3,765,232	3,580,121	3,396,094	3,587,100	3,418,856	3,250,613	3,082,369
Liabilities & Equity								
Current Liabilities	24,709	15,137	5,215	5,220	15,220	15,220	15,220	15,220
Long Term Liabilities	320,549	131,927	108,112	118,424	308,424	298,424	288,424	278,424
Total Liabilities	345,258	147,064	113,327	123,644	323,644	313,644	303,644	293,644
Net Assets	3,525,586	3,618,168	3,466,794	3,272,450	3,263,456	3,105,212	2,946,968	2,788,724
Cash Flow								
Revenues	291,201	269,846	224,006	224,006	224,006	224,006	224,006	224,006
Operating Expenses	197,911	238,524	242,452	247,301	252,747	257,792	262,938	268,187
Other Income	84	66	24	24	42,605	47,650	52,796	58,045
Cash Flow Before Debt Service	93,374	31,388	(18,422)	(23,271)	13,864	13,864	13,864	13,864
Debt Service								
Existing Debt Service	144,640	197,295	0	0	0	0	0	0
Proposed KIA Loan	0	0	0	0	12,582	12,582	12,582	12,582
Total Debt Service	144,640	197,295	0	0	12,582	12,582	12,582	12,582
Cash Flow After Debt Service	(51,266)	(165,907)	(18,422)	(23,271)	1,282	1,282	1,282	1,282
Ratios								
Current Ratio	1.3	3.5	23.4	18.9	6.6	6.6	6.7	6.8
Debt to Equity	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Days Sales in Accounts Receivable	28.4	29.4	40.5	40.6	40.6	40.6	40.6	40.6
Months Operating Expenses in Unrestricted Cash	0.6	1.6	4.8	3.6	3.6	3.6	3.5	3.5
Debt Coverage Ratio	0.6	0.2	N/A	N/A	1.1	1.1	1.1	1.1